

VZCZCXRO4277

PP RUEHAO RUEHCD RUEHGA RUEHGD RUEHHA RUEHHO RUEHMC RUEHMT RUEHNG

RUEHNL RUEHQU RUEHRD RUEHRC RUEHRS RUEHTM RUEHVC

DE RUEHCV #1170 2322215

ZNY CCCCC ZZH

P 192215Z AUG 08

FM AMEMBASSY CARACAS

TO RUEHC/SECSTATE WASHDC PRIORITY 1662

INFO RUEHWH/WESTERN HEMISPHERIC AFFAIRS DIPL POSTS

RUCPDOC/DEPT OF COMMERCE

RUEATRS/DEPT OF TREASURY

RUMIAAA/HQ USSOUTHCOM MIAMI FL

C O N F I D E N T I A L CARACAS 001170

SIPDIS

HQ SOUTHCOP ALSO FOR POLAD

TREASURY FOR MMALLOY

COMMERCE FOR 4431/MAC/WH/MCAMERON

E.O. 12958: DECL: 01/01/2018

TAGS: ECON EINV ETRD EIND PGOV VE

SUBJECT: VENEZUELA OFFERED CEMEX A LOWER PRICE THAN ITS
COMPETITORS

REF: CARACAS 624

Classified By: Economic Counselor Darnall Steuart for reasons 1.4
(b) and (d).

¶1. (C) On August 19 Venezuelan Vice President Carrizalez announced that the Bolivarian Republic of Venezuela (BRV) had successfully negotiated the purchase of cement companies Lafarge and Holcim but had failed to reach an agreement with Mexico's Cemex. National Guard troops took possession of Cemex' plants the evening of August 18. On August 19 Econoff spoke to the Mexican Ambassador to Venezuela Mario Chacon (strictly protect throughout) who stated that the BRV did not offer Cemex the same price per installed capacity that it offered Cemex' competitors Lafarge and Holcim. (Holcim readout will follow septel.) Chacon stated he has evidence he has not been permitted to divulge to the press that the BRV offered Lafarge and Holcim USD 224 per ton of installed capacity. The BRV offered Cemex 40 to 50 percent less than this, making it impossible for Cemex to accept. If the BRV had offered approximately USD One Billion, Chacon said, he believes Cemex would have agreed to sell. He said his sources in Cemex have not confirmed press reports indicating the BRV offered Cemex approximately USD 800 million.

¶2. (C) He noted that media reports of a "round of negotiations" were incorrect, saying that there were no negotiations. From the time of the nationalization announcement in April until August 15, he asserted there was only one real meeting (ref A). The only additional BRV/Cemex contact was through PDVSA-led visits to Cemex plants where PDVSA engineers asked very basic questions about cement plant operations. According to Chavez' June 18 decree, Cemex still has approximately 60 days to negotiate and Chacon was very surprised by the BRV's refusal to allow negotiations to continue. Chacon added he firmly believed until last week that Cemex would be negotiating a settlement through December.

¶3. (C) Ambassador Chacon's belief in a December settlement changed abruptly on August 14 when Cemex received a call saying PDVSA wanted to start negotiations the next morning. Cemex executives rushed to Venezuela from Mexico to meet with lead PDVSA negotiator Eulogio Del Pino the morning of August ¶15. After a short meeting followed by a break, Del Pino resumed the meeting with an offer. The Cemex executives protested saying the figure was impossible to accept referencing the much higher offers given Lafarge and Holcim per ton of installed capacity. Del Pino stated he would have to consult with Energy Minister and PDVSA President Rafael Ramirez, and they would meet again in the afternoon. Del Pino returned with the same offer, stating it was final. He

refused requests for further meetings.

¶4. (C) Chacon emphasized the Mexican Government had delivered a message to both the Venezuelan Embassy in Mexico City and the Venezuelan Ministry of Foreign Affairs (MRE) acknowledging Venezuela's right to nationalize, but expressing concern with the BRV's discriminatory treatment of Cemex. Chacon said he has been unable to speak to anyone personally as all high-level Venezuelan MRE officials are traveling and have not returned his calls. He added that his inability to access BRV officials has been a common problem throughout the nationalization process.

¶5. (C) Chacon lamented the National Guard involvement in the take-over of Cemex plants saying it was unnecessary and insulting. He expects the legal battle to begin soon and noted Cemex has excellent lawyers. Ambassador Chacon concluded by saying that he is the only one talking to the press and would like to tell them more but is waiting for permission to divulge more information to support Cemex' case.

DUDDY